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## POLITICAL SCIENCE QUARTERLY.

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### THE BASES OF TAXATION.

IN his article on the *Taxation of Labor*, in the POLITICAL SCIENCE QUARTERLY for September, 1886, Dr. Spahr opened his discussion with the declaration that "the system of taxation which the great mass of Americans instinctively accept is this: The equal taxation of all property, the non-taxation of labor."

I do not cite this assertion with a view to confuting it. Whether the acceptance, by Americans generally, of such a principle be instinctive or be merely traditional; whether it be due to a natural feeling of equity, or to a deliberate working out of the question in the national mind, or to mere lack of thinking on the subject, or to defects or vices of political education, or to a conscious purpose of spoliation, or wholly to the force of inherited usage, it is unquestionably true that the American of the period immediately preceding the Civil war did look upon wealth as the proper subject for the imposition of taxes to the full extent, or nearly so, of the needs of government. Dr. Spahr issues from his discussion of the equities of contribution with the conclusion that this view of taxation is the only right and proper one. The tendency which he notes as proceeding rapidly, during the last twenty-six or twenty-seven years, toward the imposition of considerable and still increasing taxes upon the wages of labor (through imposts upon articles of common consumption), he views as the result of political degeneration, or as the effect of the selfish encroachments of capital. It will be my object in this paper, first, to

examine into the justice of what Dr. Spahr calls the American — or, as he elsewhere terms it, the democratic — principle of taxation; and then to consider the possible bases of taxation, from the point of view of political equity.

Perhaps it will be as well to open the subject at once, without circumlocution, by the peremptory assertion, first, that to lay the entire burdens of government upon property is a policy so inequitable as to become flagrantly iniquitous, and secondly, that the imposition of any tax at all upon property is subject to the gravest impeachment on the ground of right, and is only to be justified, if at all, in a closely limited degree and by virtue of a single consideration, which will be adduced in the further course of this discussion.

But, first, let it be said that this is not a question between the rich and the poor. It would make no difference with the equities of the case if it were. In fact, however, the issue between taxing property and taxing labor is no more an issue between the rich man and the poor man, than between one poor man and another. I have before me, as I write, the valuation and tax-list of a representative New England township, containing, perhaps, twenty square miles; covered with farms whose soil is generally poor, whose surface is generally irregular and largely rocky; having a flourishing manufacturing village at the centre. From this list I select a typical example. C. B. R. is taxed upon 4 horses, 5 cows, one two-year old, 3 yearlings, 3 swine, a house, a barn, a shop, and 72 acres of land. The total assessment is \$2,280; and upon this C. B. R. is taxed to the amount, including his poll tax, of \$25.94. With such a farm, so stocked, C. B. R. is an exceptionally fortunate New England farmer if the total proceeds of his land, labor, and capital, fairly and fully estimated, reach \$800 a year. Yet all around him, on the tax-list, above and below, are the names of manufacturing operatives and mechanics, the least skilled of whom earns two dollars a day, while others receive as much as two and a half and even three dollars, but who, because they have never let their earnings take the form of savings, are only assessed for a poll tax of \$2.00 each. Even this small contribution to the

support of government is not exacted from the mere laborer in most of the American states.

Pursuing this subject, I have analyzed the first 480 names on this tax-list, comprising all the names from A to D inclusive. I find that (*a*) 266 pay only a poll tax; (*b*) 122 are taxed in an amount, including their polls, of less than twenty dollars each; (*c*) 65 are taxed in an amount between \$20 and \$50; (*d*) 22 pay taxes between \$50 and \$100; (*e*) 4 pay taxes between \$100 and \$150; (*f*) one, a successful manufacturer, pays a very large property tax. Now of these 480 persons, only 5 can be called, in any sense, rich; only 27 can be considered well-off or well-to-do. The 187 persons comprising classes *b* and *c* are poor, — as poor, doubtless, on the average, as the 266 forming class *a*. The 122 persons comprising class *b* are on the average distinctly poorer, in the sense of having less freedom of expenditure, than those of the first class; yet they are taxed in amounts two, four, six, eight, or ten times as large as the petty poll tax assessed on the members of that class, and not even then collected save as a condition of voting at elections.

Such facts as those given above are not exceptional. Wherever the principle of a property tax prevails, persons will be found, in great numbers, paying taxes greater, perhaps several times greater, than others whose ability to contribute to the public support is superior to their own. I think I am justified, by such an exhibit, in repeating the assertion that the question of taxes on property or taxes on labor is not an issue between the rich man and the poor man.

The fatal fault in a property tax, that which must cause it to be condemned both ethically and economically, is that it constitutes a penalty upon saving. Whether we assume that revenue as such, the income of the wealthy and well-to-do and the earnings of labor, have first been taxed, or have been allowed to pass free of toll, taxes on property are alike inequitable. If revenue, as such, be taxed, a portion of revenue is by a property tax twice excised: once as earned, and again as saved. If revenue, as such, be not taxed, the injustice becomes far greater, since all the burdens of society are laid upon that portion of revenue

which is reserved for future use, for provision against old age, for the education of children, for the building up of homes, for the increase of the agencies and instrumentalities available to promote the future production of wealth. If a man's income belongs to him to spend, it belongs to him to save ; and, on the ground of equity, the state cannot lay its hands upon that which represents the double virtue of industry and frugality, while sparing that which represents the single virtue of industry. Economically considered, there cannot be a moment's question that the policy of laying the burdens of the state upon that portion of the product of industry which has escaped the maw of appetite, which is presumably reserved for useful employment, which is, in a sense, consecrated by worthy social ambitions, and which represents the courage, prudence and faith requisite to subordinate the present to the future, is thoroughly vicious.

Is any qualification required of the condemnation pronounced upon property taxes, from the point of view of political equity ? I answer, there is one consideration, already hinted at, which may be regarded as justifying the imposition of some, not large, part of the burden of supporting government upon the possessors of realized wealth, as such. This is found in the decided probability that some part of the wealth of the rich and some part of the poverty of the poor are due to the state's own negligence or wrong-doing, to its sins of omission or of commission. One cannot doubt that the line between those who have and those who have not, between those who have much and those who have little, is somewhat differently drawn from what it would be but for the laches or the positive acts of government. Government springs from injustice and must, in the nature of the case, perpetrate more or less of injustice. By the unwisdom of its laws, by the incompetence of its executive officers, or through decisions which sacrifice the individual to the supposed general good, some men are made richer and some poorer. It is of the very essence of tariffs, embargoes and wars to enrich the holders of certain kinds of property and correspondingly impoverish others. Delays and failures of criminal justice, the wrongful decisions of judges and juries, the incapacity

of police and fire departments, the bungling over fraudulent bankruptcies, all these have to do with placing men higher or lower upon the scale of wealth.

Now, so far as the state's own acts have such an effect on the distribution of the product of industry and upon the security of savings, it seems to me not unreasonable that government should take this fact into account in assessing its subjects for compulsory contribution to the treasury. If this view be correct, some part of the taxes of the state may, not inequitably, be levied upon the holders of property, as such. Among the holders of property it will, of course, be impossible to discriminate between those who have received such unearned gains and those who have not; and yet it may be more equitable that the property owners of the community, as a body, should make some contribution to the public funds than that they should not. The range of this consideration, is, however, not very wide, in comparison with the entire field to be covered by taxation. The main reason why one man has and another has not, is still to be found in the energy, prudence, frugality, and temperance of some individuals and the absence of these qualities in others; and so long as this effect is due to such causes, the state cannot, without flagrant wrong, without usurping functions which belong to no human government, make the possession of property the sole or even the chief ground of assessment and compulsory contribution.

In this view of the subject, how can we explain the fact, which Dr. Spahr correctly states, of the almost universal acceptance, by the people of early America, of the policy of the taxation of property? I am disposed to believe that the reason is found in the character and social conditions of our ancestors, by which it came about that accumulated wealth, in those times, bore to revenue or income,<sup>1</sup> in no slight degree, the relation of effect to cause. If I correctly understand Dr. Spahr, he holds that this relationship is universal, declaring that the "property tax is the only just income tax." However that may be, it certainly came very near to being true in early New England and early America. So stalwart was the virtue of those times, so com-

<sup>1</sup> After the deduction of the cost of bare subsistence, as hereinafter explained.

mon and so strong was the instinct for acquiring property, so large was the return upon capital, and so great was the social importance attached to its possession, that it may almost be said that, barring the effects of intemperance (a failing regarding which the best of our ancestors had too much reason to be tolerant), every able-bodied man, in those days, was willing to work hard that he might earn, and to live frugally, perhaps even painfully, that he might save. Not only was this so in the case of almost every man working for himself, on his own farm or in his own shop, but it was not less distinctly so in the case of hired laborers. A young man, who, "going out to work," even at the very small wages which industrial conditions then allowed to be paid, should not save a considerable proportion of his aggregate wages, against the time when he should marry and undertake the responsibilities of a family, would have been considered, in those times, a very unpromising subject; people would have had their own opinion of him, which would have been that he was not far from a black sheep. In a state of society where frugality thus went hand in hand with industry, and where individual ambition concurred with public sentiment in promoting the accumulation of property on the part of the entire mass of the people, wealth became no bad measure of producing capacity. In such a state of things, indeed, a property tax might have one advantage over a revenue tax, in the matter of political equity; namely, it would afford opportunity for deductions, on account of an unusually large number of children, or protracted illness in the family, or exceptional hard fortune on the part of individuals, for which it is difficult, if not impossible, to make allowance in a proper revenue or income tax.

The simplest statement of the foregoing conditions shows how utterly unfit is a property tax, nowadays, to secure the result of excising incomes, or earnings, with any approach towards justice. In the New England and America of to-day, frugality is not the rule, but the exception. Scarcely one family in two saves to any amount worth speaking of; not one family in five saves as much as it might, or even as much as is

plainly required by a reasonable regard for the interests of the family; while in the case of unmarried young men saving has very largely gone out of fashion. In a town where many a common laborer is supporting a family on a dollar or a dollar and a quarter a day, many a skilled mechanic, earning two dollars or two dollars and a half, is not three months ahead in the world, if, indeed, failure of employment for a month would not require him to seek credit from the butcher or charity from his fellow-workmen. I do not write in ignorance of the statistics of the savings banks of our country, having frequently had occasion to analyze them. I am well aware of the large amount of saving which actually takes place; yet, in comparison with the ability to save, that amount falls far, very far, short of what was the rule thirty, fifty, and seventy years ago. There is not the same interest in saving on the part of the majority of producers; there is almost infinitely less of a sense of duty regarding saving; there is, practically, no public sentiment whatever operating to induce or enforce saving. Men receiving wages, such as were not dreamed of by their fathers, are content to live in hired houses all their lives, spending a week's wages every week or, at the most, extremely well satisfied with a small savings-bank deposit.

In such a state of things, a property tax ceases to be "the only just income tax"; it fails to be even a tolerably just income tax. To excise realized wealth alone, in such a community, is not merely to encourage extravagance and to discourage frugality; it is a policy fraught with the grossest injustice between man and man. As I said before, if a man's income belongs to him to spend, it equally belongs to him to save. Indeed, one might say not equally but doubly, since saving is itself an act of good citizenship, universally so recognized except only in our tax laws.

If, then, as Dr. Spahr notes with disapprobation, there has been a marked and increasing tendency during the last thirty years, not perhaps to tax property less, but to tax expenditure more, that movement is in the direction of political justice. As before remarked, the question of a property tax does not raise



an issue wholly between the rich man and the poor man. That issue is equally between one poor man and another. So long as one set of laborers earn twice and even three times as much as the least skilled or capable or fortunate of their own class, and so long as the highest social and industrial interests are involved in the promotion of general frugality among the working people, a property tax, as the sole means of raising the revenue of the state, would be economically injurious and politically unjust.

Dr. Spahr rightly treats the great majority of existing (national) taxes on expenditure, reaching, as they do, articles of ordinary consumption, as a veiled or disguised tax on the wages of labor. Speaking generally,<sup>1</sup> however, these taxes do not, in the United States, reach that portion of wages which represents the bare subsistence of the laborer, since, in spite of nominal import duties on the corresponding foreign products, bread, meat and vegetables are, with us, not excised. That the righteous demand of the state for a contribution out of that portion of the wages of labor which is in excess of bare subsistence<sup>2</sup> should have to be veiled or disguised, by reason of the political cowardice of the age, is properly the subject of deep regret; but the theme is too familiar to justify taking space for it here. Nor is the matter of practical importance, at the present time. Lament, as we will, the lack of political courage on the part of legislators and executives, and the lack of political virtue in the constituencies, which have caused nearly all popular governments to abandon the attempt to levy taxes on the wages of labor, every one must recognize the uselessness of talking about the matter with any view to immediate effect. Whatever we may think worth while to say about it, must be regarded either as a protest, by which we reserve our right to deal with the subject in a better time, or as seed sown for a distant, probably

<sup>1</sup> Our duties on salt, on coal, on cloth, and on materials entering into the construction of houses, are subject to impeachment as taxes upon the absolute necessities of life.

<sup>2</sup> Mr. David A. Wells, indeed, denounces any degree of exemption from taxation as, in a degree, confiscation. In this, however, Mr. Wells is clearly in error. Economically speaking, it is not possible for the treasury to derive revenue from a laborer who earns only the cost of bare subsistence. If the state takes anything from such a man as a tax-payer, it must, with the other hand, return it to him as a pauper.

a very distant, harvest : not as when one plants a vine, seeking from it fruit before the next frost, but as when he plants an acorn, in the expectation of an oak. For one, I do not deem it unreasonable to look forward to the time when, through the thorough instruction of our children in civics, ethics and economics, and through the long continued enjoyment of political franchises, governments shall be found, immediately subject to popular control, which shall yet be able to collect by direct assessment and exaction that tenth or that fifth part of the laborer's wages which is now conveyed away from him by disguised imposts upon the decencies, comforts and luxuries of life.

We have now reached a point in our discussion where we are called upon to deal with a very pretentious and not unpalatable theory of taxation, which, though far from new, being, indeed, one of the oldest in economic literature, has come largely into vogue during the present generation, — the theory, namely, which regards taxes on expenditure, not as a device, legitimate, perhaps, under the circumstances, for reaching revenues which the state lacks the courage or the skill to touch directly, but as the sole, proper, and equitable form of public contribution. Sir William Petty wrote, two hundred years ago :

It is generally allowed by all that men should contribute to the public charge, but according to the share and interest they have in the public peace, that is, according to their estates or riches. Now, there are two sorts of riches, one actual and the other potential. A man is actually and truly rich according to what he eateth, drinketh, weareth, or in any other way actually enjoyeth. Others are but potentially and imaginatively rich, who, though they have power over much, make little use of it, *these being rather stewards and exchangers for the other sort, than owners for themselves.* Concluding, therefore, that every man ought to contribute according to what he taketh to himself and actually enjoyeth, the first thing to be done [*etc.*].

The same view of public contribution was a favorite one with Arthur Young, a century later. In writing of Holland and Zealand, he says :

Nor do they tax according to what men gain, but [*i.e.* except] in extraordinary cases ; but always according to what men spend.

At various points in his writings the same suggestion occurs; and in his *Travels in France*, he undertakes the formal statement of this doctrine of taxation. After stating that it is

absolutely necessary that every individual in the society contribute to the wants of the state in proportion to his ability, provided such contribution does not impede the progress of his industry,

he adds :

By ability must not be understood either capital or income, but that super-lucration, as Davenant<sup>1</sup> called it, which melts into consumption. . . . If a landlord farm his own estate and expend the income on improvements, living on but a small portion of the profits, it is sufficiently clear that the taxes ought not to affect one shilling of the expenditure on his land. They can reach, with propriety, the expenses of his living only. If they touch any other part of his expenditure, they deprive him of *those tools that are working the business of the state.*

He concludes :

A man paying, therefore, "according to his ability," must be understood in a restrained sense.

One of the best modern statements of this theory is in a pamphlet from the pen of Mr. William Minot, Jr., of Boston. Mr. Minot issues with the conclusion that :

Every man ought to be taxed on all that property which he consumes or appropriates to his exclusive use.

The doctrine that taxes on expenditure, or consumption, constitute the only just form of public contribution, is liable to three grave objections.

(1) The underlying notion that wealth can, with justice, be taxed only as it passes into consumption, inasmuch as only then does it become the subject of a selfish or exclusive appropriation, involves a misconception of the reason which exists for imposing any taxes at all. If the personal consumption of wealth were the most unselfish act conceivable, if men ate, drank, and wore clothes only from the sternest sense of duty,

<sup>1</sup> This is Dr. Charles Davenant, an eminent writer on finance and political arithmetic, between 1695 and 1712.

the right of the state to a contribution from a mass of wealth so disposed of would be no less and no other than it is when that mass of wealth is contemplated as consumed for the indulgence of appetite and as a means to pleasure. If the aggregate annual revenue of a community is one thousand millions of dollars, and the state has need of one hundred millions for its purposes, the smaller revenue should come out of the larger, on grounds alike of equity and of economics. I do not say that every one thousand dollars of private revenue should yield one hundred dollars of public revenue: that is a distinct and subsequent question. The state must, as we have seen, exempt the cost of bare subsistence, a thing which, of itself, destroys the strict proportionality of contribution. The state may even, it is held by many publicists of reputation, without injustice introduce, in some measure, the principle of progression into taxation, assuming that the ability to contribute to the public support increases somewhat more rapidly than does the wealth in individual possession. This is a question far too large to be entered upon here. Again, the state may, from considerations of economic expediency, seek to promote the application of revenue to productive uses by diminishing somewhat the burden upon the portion of revenue so reserved. But I confess that I see no ground for the assumption that the state has no rights of revenue whatsoever over that portion of the annual product which the individual does not choose to apply to personal expenditure. Subject to at least one, and perhaps more, of the three qualifications noted, the revenue of the government should be contemplated as drawn from the revenue of the community; and, subject to the exceptions noted, the revenue rights of the state attach equally to every portion of private revenue, irrespective of the consideration whether any such portion is to be spent or to be saved.

(2) But, again, the assumption that wealth is only selfishly appropriated or individually enjoyed when it is consumed, seems to me altogether unwarranted. The fact is, the selfish and exclusive enjoyment of wealth, in some degree, is inseparable from its possession. The pride of ownership, the social

distinction which attends wealth, the power it confers, are additional to the merely sensual pleasure derived from the expenditure of a portion of the revenue from a rapidly accumulating property. Do I resent the interference of the government, or of my neighbors, in the management of my property? What is this but proof of a personal appropriation, an exclusive appropriation, of that wealth? My resentment springs out of the deep feeling that the management of my own property is my right; and that he who deprives me of it robs me of what is as truly mine as the right to eat, drink, wear, or otherwise consume or enjoy any portion of it; that, short of mental incapacity, it is my privilege to control my own estate, even though not to the highest advantage of the community or of myself. In other words, I feel and know that I am not a trustee but a proprietor; not a "steward or exchanger for others," but an owner for myself.

(3) If wealth not devoted to personal expenditure is to be exempt from taxation on the ground that it is to be used for the public good, it unmistakably is the right, and it might even become the duty, of the state, to see to it that such wealth is, in fact, in all respects and at all times put to the best possible use. Indeed, if any citizen protests against taxation on the ground that his tools "are working the business of the state,"—how can the state, without injustice to all other citizens, excuse him from contribution without requiring that he shall exhibit satisfactory evidence, not only that his tools are really working its business, but that they are doing this in the most thorough, efficient and economical manner? If this is not socialism of the rankest sort, I should be troubled to define socialism.

Nay, if the citizen is to be exempted from contribution on the ground that he is, in respect to all the wealth which he does not personally consume, only a trustee, merely a steward for others, then society may, without wrong, carry away all the property which is in excess of what would be necessary to support his actual expenditure; the real beneficiary may at any time enter and dispossess the trustee, if any substantial reason

exists for dissatisfaction as to the management of the property, or, indeed, for that matter, merely because it chooses to do so; the state may take the tools into its own hands and "work its business" for itself.

The frightfully socialistic character of this doctrine of taxation has always made it, to me, a matter of amazement that it should be held by some who have openly and strenuously advocated it. Anything more dangerous, in the present state of public opinion, it would be difficult to conceive. I trust I have shown that it is, also, without foundation either in equity or in economics.

But, while we thus dismiss expenditure as the theoretical basis of taxation, we have to admit that, in a degree, and in an increasing degree, it becomes a useful agency in reaching<sup>1</sup> those revenues which the state, either from political cowardice or because of the opportunities which exist on every side for concealment or evasion, cannot, or will not, reach. Dr. Spahr is probably right in his conclusion that the existing body of national taxes rests with disproportionate weight upon the poorer classes of the country; but I am disposed to question whether that result is properly attributable to the encroachments of capital, in its own behalf. The taxes on salt, on coal, on clothing and on the materials entering into the construction of dwellings, while they violate the very first rule of justice and economics by enhancing the necessary cost of subsistence, are imposed as an integral part of a protective system which I, for one, though a free-trader, believe to have been established<sup>2</sup> honestly, however mistakenly, in the interest of the working classes. With much more confidence can it be claimed that the taxes on the decencies, comforts and luxuries of life, under our present tariff, were genuinely intended to preserve the wages of American labor from a dangerous competition with the "pauper labor of

<sup>1</sup> As in the case of progressive taxation, on a previous page, I here pass by a nice and difficult question in taxation; namely, the ultimate incidence of taxes on consumption. It is not from an indisposition to meet the issue, but from want of space, that I omit all discussion of this question.

<sup>2</sup> This, while fully recognizing that our successive tariffs have been largely *shaped* by class or sectional interests, with an obtrusion, at times, of mean motives which were simply disgusting, as in the Tariff of Abominations, 1828.

Europe." If, then, our national taxes on expenditure press with undue weight on our laboring classes, this is not to be charged to conscious and purposed encroachments of capital. It is, rather, the price which the working classes have themselves chosen to pay for securing the promised blessings of protection.

We have thus far spoken, in succession, of three possible bases of taxation: (1) property or capital or realized wealth; (2) revenue or income; (3) consumption or expenditure. There remains but one other<sup>1</sup> possible basis of taxation, namely, *faculty*, or native or acquired power of production. We shall readily find a faculty tax to be the most equitable form of public contribution, if we compare it with the revenue tax. We saw that, as between two persons acquiring equal revenues, a property tax lays the burdens of government upon that one who exhibits the virtue of frugality in addition to the virtue of industry, thus grossly violating the principles of equity. We are now to see that even the revenue tax works injustice, though in a lower degree than the property tax; since, as between two men of equal natural powers, the revenue tax lays the heavier burden upon him who most fully and diligently uses his abilities and opportunities. It even accepts indolence, shiftlessness, and worthlessness as a sufficient ground for excuse from public contribution.

Here are two men of equal natural powers. One is active, energetic, industrious. Toiling early and late, he realizes a considerable revenue, on a portion of which the state lays its

<sup>1</sup> It may be asked: What of *land*? What of rent-bearing land? I answer, first, a tax on all lands is primarily a tax on produce, and, in its results, becomes an addition to the cost of subsistence. Secondly, the assumption, or usurpation, as we may choose to regard it, by the state of a part or the whole of economic rent, — the "unearned increment of land," to use Mr. Mill's phrase, — does not appear to me strictly a form of taxation, but rather one of the lucrative prerogatives of the state, the natural proprietor of all lands. I think Mr. Mill is right in saying that "it is the same thing as being untaxed to pay to the state only what would have been paid to private landlords, if the land were appropriated." I attach the name of Mr. Mill to this doctrine, and not that of Mr. Henry George, because, in the latter's proposals regarding land, there is not one original feature except only the rascally suggestion that the value of the land, at the time such a public policy should go into effect, be appropriated by the state without compensation to existing owners.

hands. The other lets his powers run to waste; trifles with life, shirks duty; wrongs his family and the community by living squalidly and meanly. Producing no more than is necessary to subsistence, he would, under a pure revenue tax, escape contribution altogether. Yet his duty to contribute to the state is not less clear in kind, or lower in degree, than that of the other. His social and industrial delinquency, so far from excusing him from any portion of his obligation, would, the rather, justify heavier burdens being laid upon him, in compensation for the injury which his ill example and evil behavior have inflicted upon the community.

We must, I think, conclude that, while to tax wealth instead of revenue is to put a premium upon self-indulgence in the form of expenditure for present enjoyment, to tax revenue instead of faculty is to put a premium upon self-indulgence in the form of indolence, the waste of opportunities, the abuse of natural powers; and that a faculty tax constitutes the only theoretically just form of taxation, men being required to serve the state in the degree in which they have ability to serve themselves. This is the form of contribution to which all primitive communities instinctively resort. It is the tax which, but for purely practical difficulties, would at all times and in all places afford a perfectly satisfactory measure of the obligation of every citizen to contribute to the support or defence of his government. Any mode of taxation which departs in essence from this, involves a greater or smaller sacrifice of the equities of contribution; and every mode of taxation, which departs from this in form, is almost certain to involve a greater or smaller departure in essence.

It seems to me that the economists and financiers make a serious mistake when they drop faculty as the theoretical basis of taxation. It is true that in a state of highly complicated interests and industries, a faculty tax is no longer practicable<sup>1</sup> as a sole or chief form of contribution; but this constitutes no

<sup>1</sup> The greatest tax of modern times, the requirement of compulsory military service, throughout all the nations of continental Europe, is, however, still assessed and collected essentially on this basis.



reason why it should not be held in view, as furnishing the line from which to measure all departures from the equities of contribution, as one or another form of taxation, more suited to the exigencies of modern society, comes to be adopted for meeting the wants of government.

FRANCIS A. WALKER.